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APR 17 2000

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY


Ms. Magalie Roman Salas
Secretary
Office of the Secretary
Federal Communications Commission
445 12th Street, S.W., Room TW-A325
Washington, DC 20554

Re: 1998 Biennial Regulatory Review --Review of Depreciation Requirements for Incumbent Local Exchange Carriers, CC Docket No. 98-137; Ameritech Corporation Telephone Operating Companies' Continuing Property Records Audit, *et. al.*, CC Docket No. 99-117; and, GTE Telephone Operating Companies Release of Information Obtained During Joint Audit, AAD File No. 98-26

Dear Ms. Salas:

Enclosed, please find the original and the requisite number of copies of the United States Telecom Association's Initial Comments in the above-referenced docket.

Please contact the undersigned, if there are any questions regarding this matter.


Julie Rones

The Hon. William E. Kennard
The Hon. Susan Ness
The Hon. Harold Furchtgott-Roth
The Hon. Michael K. Powell
The Hon. Gloria Tristani
Lawrence Strickling
Fatina Franklin
Debbie Byrd
International Transcription Service, Inc.

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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OFFICE OF THE SECRETARY

In the Matter of)	
)	
1998 Biennial Regulatory Review --)	
Review of Depreciation Requirements)	CC Docket No. 98-137
for Incumbent Local Exchange Carriers)	
)	
Ameritech Corporation Telephone Operating)	
Companies' Continuing Property Records)	CC Docket No. 99-117
Audit, <i>et. al.</i>)	
)	
GTE Telephone Operating Companies)	AAD File No. 98-26
Release of Information Obtained During)	
Joint Audit)	

**INITIAL COMMENTS OF THE UNITED STATES TELECOM ASSOCIATION
REGARDING THE FURTHER NOTICE OF PROPOSED RULEMAKING**

Pursuant to Sections 1.415 and 1.419 of the Federal Communications Commission's rules, 47 C.F.R. §§ 1.415, 1.419, the United States Telecom Association ("USTA"), through the undersigned, hereby submits its initial comments in the above-captioned proceeding. For more than 100 years, USTA has been representing the interests of the small, mid-size and large companies of the nation's local exchange carrier industry. The Association represents more than 1,200 companies worldwide that provide local exchange, long distance, wireless, Internet, and cable services.

I. BACKGROUND

On December 30, 1999, the Federal Communications Commission ("FCC") adopted an order regarding procedures for depreciation and identified conditions under which price cap local

exchange carriers ("LECs") could seek waivers of the depreciation requirements.¹ On March 3, 2000, subsequent to the release of the Depreciation Order, the LEC participants involved in the Coalition for Affordable Local and Long Distance Service ("CALLS") plan, by *ex parte* letter to FCC Common Carrier Bureau Chief, Lawrence Strickling, proposed that these CALLS LEC participants would voluntarily agree to (1) use the same depreciation factors and rates for both Federal regulatory and financial accounting purposes; (2) commit to submit, under a request for confidentiality, information concerning their depreciation accounts when significant changes to depreciation factors are made; and (3) employ a straight-line amortization approach over a five-year period in which these carriers would amortize 100 percent of the amount on their regulatory books of the difference between the reserve balances on their regulatory books and the corresponding balances on their external financial books.²

The CALLS LECs' depreciation proposal was submitted to the FCC as an alternative proposal that could achieve the objectives of the Depreciation Order. It does not include all of the LECs effected by the Depreciation Order.³ Participation in the CALLS proposal by the LECs

¹See 1998 Biennial Regulatory Review --Review of Depreciation Requirements for Incumbent Local Exchange Carriers, *Report and Order in CC Docket No. 98-137*, FCC 99-397, released December 30, 1999 ("Depreciation Order"); 65 Fed. Reg. 18926-18931 (Apr. 10, 2000)(to be codified at 47 C.F.R. § 43)(*"Final Rule Fed. Reg."*).

²See March 3, 2000 *ex parte* letter to Mr. Lawrence Strickling, Chief, Common Carrier Bureau from Frank J. Gumper, Bell Atlantic Network Services, Robert Blau, BellSouth Corporation, Donald E. Cain, SBC Telecommunications, Inc. and Alan F. Ciamporcero, GTE Service Corporation in CC Docket No. 96-262 -- Access Charge Reform; CC Docket No. 94-1 -- Price Cap Performance Review for Local Exchange Carriers; CC Docket No. 99-249 -- Low-Volume Long Distance Users; and CC Docket No. 96-45 -- Federal-State Joint Board on Universal Service ("March 3, 2000 letter").

³*Id.*

that have adopted the CALLS plan is based on their voluntary participation. Accordingly, not all LECs have adopted the CALLS plan. Some LECs may later decide to opt-into the CALLS plan, especially if the FCC decides to adopt the CALLS proposals.

In response to the CALLS LECs' alternative depreciation proposal, the FCC adopted this Further Notice of Proposed Rulemaking ("FNPRM") in order to seek comment on the proposal. The FNPRM, generally, seeks comments addressing whether there are circumstances under which the FCC's existing depreciation requirements could be eliminated for all price-cap carriers in a manner that serves the public interest.⁴

II. USTA COMMENTS

Modifications to the depreciation requirements adopted pursuant to this proceeding should only apply to any price-cap carrier that elects to file for a waiver of the depreciation prescription process. USTA believes that at the outcome of this proceeding, the FCC should not subject LECs to any new, mandatory FCC depreciation reporting requirements; and that adoption of the alternative proposal should have no material impact on the high cost Universal Service Fund ("USF").

⁴*See In re 1998 Biennial Regulatory Review -- Review of Depreciation Requirements for Incumbent Local Exchange Carriers, CC Docket No. 98-137, Ameritech Corporation Telephone Operating Companies" Continuing Property Records Audit, et al., CC Docket No. 99-117; GTE Telephone Operating Companies Release of Information Obtained During Joint Audit, AAD File No. 98-26, FCC 00-119, Further Notice of Proposed Rulemaking ("FNPRM"); and, FNPRM Concurring Statement of Commissioner Harold Furchtgott-Roth ("FNPRM Concurring Statement"), adopted Mar. 31, 2000; and released Apr. 3, 2000; and also, 65 Fed. Reg. 19725-19728 (Apr. 12, 2000)(proposed rule to be codified at 47 C.F.R. § 43; notice announcing that written comments on the proposed information collections, associated with the proposed*

A. Any FCC adopted modifications to the depreciation requirements should be for price cap LECs that have voluntarily agreed to file for a waiver of the depreciation prescription process. The FNPRM at ¶ 3 states that the FCC is evaluating the conditions under which existing depreciation rules may be eliminated or changed for all price-cap carriers. USTA submits that should the FCC adopt changes to its Depreciation rules, those changes should not be imposed on all LECs, nor should the changes be imposed on all price-cap LECs. The changes proposed by this FNPRM should be applicable to any price-cap carrier who elects to file a waiver of the depreciation prescription process.

B. USTA believes the FCC should not subject LECs to any new, mandatory depreciation reporting requirements. In the FNPRM at ¶ 14, the FCC recommends that approval of the proposal be contingent upon carriers voluntarily agreeing to provide information concerning depreciable plant accounts, any forecast of additions and retirements for major network accounts, replacement plans for digital central offices, and information concerning relative investments in fiber and copper cable. In the March 3, 2000 Letter, CALLS plan LECs agree to submit, under a request for confidentiality, information concerning their depreciation accounts when significant changes to depreciation factors are made.⁵ Notwithstanding this commitment, USTA believes the FCC should not subject LECs, whether or not they adopt the CALLS plan, to any new, mandatory depreciation reporting requirements. USTA believes that the information currently submitted in the Automated Reporting Management Information

modifications, are due April 17, 2000 and reply comments are due by Apr. 28, 2000).

⁵*See, supra note 2.*

C. In response to the FNPRM at ¶ 8, the FCC seeks to address elements of the proposed changes which could create changes in local telephone rates, based upon any consequent reductions in the high cost support as it would primarily impact rural carriers that particularly rely on high cost support to keep their local rates affordable. USTA believes that the changes resulting from this FNPRM should be implemented in a manner that would insure there was no negative impact to the Universal Service high cost fund.

III. CONCLUSION

For the foregoing reasons, USTA urges the FCC to take all action in this matter consistent with USTA's recommendations, as noted herein.

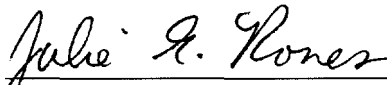
Respectfully submitted,

By: Julie E. Rones
THE UNITED STATES TELECOM ASSOCIATION
Lawrence E. Sarjeant
Linda L. Kent
Keith Townsend
John W. Hunter
Julie E. Rones

Its Attorneys

CERTIFICATE OF SERVICE

I, Julie Rones, do certify that on April 17, 2000, copies of the accompanying Comments of the United States Telephone Association were either hand-delivered, or deposited in the U.S. Mail, first-class, postage prepaid to the persons below.


Julie Rones

The Hon. William E. Kennard
The Hon. Susan Ness
The Hon. Harold Furchtgott-Roth
The Hon. Michael K. Powell
The Hon. Gloria Tristani
Lawrence Strickling
Fatima Franklin
Debbie Byrd, FCC Accounting Safeguards Div.
International Transcription Service, Inc.